

LEGISLATIVE AUDIT COMMISSION



Review of
Suburban Cook County
Regional Office of Education #14
Year Ended June 30, 2002

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REVIEW: 4177
SUBURBAN COOK COUNTY
REGIONAL OFFICE OF EDUCATION #14
ONE YEAR ENDED JUNE 30, 2002

FINDINGS/RECOMMENDATIONS - 6

PARTIALLY ACCEPTED - 2
ACCEPTED - 1
IMPLEMENTED - 3

REPEATED RECOMMENDATIONS - 0

PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 0

This review summarizes the audit of the Suburban Cook County Regional Office of Education #14 for the year ended June 30, 2002, filed with the Legislative Audit Commission on March 11, 2003. The auditors performed a financial audit in accordance with Government Auditing Standards and State law. The auditors stated that the Regional Office of Education #14's financial statements as of June 30, 2002 are fairly presented.

The Suburban Cook County Regional Office was created to develop and maintain educational services for the school districts in Cook County outside the City of Chicago. The ROE services 697 schools in 143 districts. The following are functions of the ROE:

- Processing teachers' certificates;
- Teaching initial and refresher classes for school bus drivers within the region;
- Reviewing life/safety requirements for schools in conjunction with the State;
- Issuing newsletters regarding new Illinois life/safety requirements; and
- Monitoring compliance with State laws and U.S. Department of Education policies and procedures.

The ROE has no distributive fund since the State maintains responsibility for the function of distributing State and federal aid to individual school districts. The ROE does not have a GED Fund since the State maintains this program as well.

Currently, the Regional Office employs 10 full-time staff and six part-time staff. Three additional individuals are employed full-time through grant programs and two individuals are employed part-time through grant programs.

The Superintendent for Region #14 during the audit period was the Honorable Joseph Kaczanowski. Mr. Kaczanowski succeeded his predecessor as the interim superintendent on November 8, 1999. He was appointed officially to the position on January 3, 2003. His salary, which is paid by the State, is \$79,417. Mr. Kaczanowski's term as superintendent ends on June 30, 2003. The Superintendent-elect is Mr. Robert Ingrassia, and his term

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begins on July 1, 2003. The Suburban Cook County Regional Superintendent is elected every four years from the area outside the City of Chicago.

Revenues and Expenditures

Revenues to Regional Office #14 are as follows:

	FY 2002	FY 2001
Total Revenues	\$1,506,282	\$1,499,361
Local Sources	*\$523,111	\$732,665
% of Total Revenues	34.73%	48.87%
State Sources	*\$977,171	\$760,696
% of Total Revenues	64.87%	50.73%
Federal Sources	\$6,000	\$6,000
% of Total Revenues	.40%	.40%

Expenditures by Regional Office #14 are as follows:

	FY 2002	FY 2001
Total Expenditures	\$1,596,042	\$1,475,995
Salaries and Benefits	*\$659,058	\$332,738
% of Total Expenditures	*41.29%	22.54%
Purchased Services	\$572,987	\$552,597
% of Total Expenditures	35.90%	37.44%
All Other Expenditures	\$363,997	\$590,660
% of Total Expenditures	22.81%	40.02%

* Fiscal Year 2002 amounts include on-behalf payments (\$224,589). On-behalf payments were not included in Fiscal Year 2001.

Cost of property and equipment was \$84,855 in FY02 and \$79,221 in FY01.

Accountants' Findings and Recommendations

Condensed below are the six findings and recommendations presented in the audit report. There were no repeated recommendations. The responses to the recommendations were provided by Joseph Kaczanowski, Regional Superintendent, and Richard Maday, Director of Financial Services in the audit report and via phone conversations on May 22 and May 27, 2003.

Partially Accepted

- 2. Modify teacher certification application processing procedures to include the preparation of a report summarizing the number of applications and related fees. Additionally, create an annual budget for certification receipts.**

Findings: The Office does not reconcile teacher certification receipts per the general ledger to the certification application or record thereof. In addition, the ROE does not create a budget for the Teacher Certification receipts. The average was approximately \$600,000 per year.

Response: Intake clerks will provide the supervisor a breakdown of receipts by amount. The supervisor will verify their accuracy, initial and forward to Accounting for posting to general ledger. Accounting will compare summary report to deposit slips and reconcile, if necessary.

The Office does not agree with the second part of this finding. The Accounting Manual prepared and provided by ISBE does not require a budget for the Institute Funds. A budget is not created due to the unpredictability of the number of teachers that will be applying for certification.

- 4. Maintain complete employee file documentation as required by ISBE's ROE Accounting Manual.**

Findings: Three out of three employees' files selected for testing did not have employment applications and correspondence related to promotions and performance ratings on file. The ROE Manual prepared by ISBE states that a master record on each employee should contain certain information.

Response: The Office has contacted several ISBE departments to secure employee forms required by ISBE. The Office will require all present employees to reapply for their jobs using forms required by the ROE Accounting Manual. The Office is currently in the process of performing evaluations.

The Office does not agree with maintaining correspondence related to promotions and performance ratings in the employee file. The ROE Accounting Manual does not require it.

Accepted or Implemented

- 1. Include the certificate of deposit account in financial statements and restate beginning fund balances accordingly. Record and report all activity related to the Lehman Scholarship Fund on the financial statements. Provide additional training to the accountant on the accounting software package and financial statement review procedures, and direct the accountant to perform financial**

statement review procedures and correct any errors found. Perform account closing procedures to generate accurate financial statements.

Findings: The Office did not maintain accurate financial records. The Office understated Certificate of Deposit balances by \$9,137 because a scholarship fund was not reported on the Office's financial statements. In addition, the Office's Cash and Fund Balance account balances were under/overstated by \$11,210 because voided checks were cancelled incorrectly in the general ledger.

Response: Effective June 30, 2002, the Office reported the certificate of deposit and corrected the Cash and Fund Balance account balances.

3. Update chart of accounts to comply with accounting standards and ISBE guidelines.

Findings: The Office's chart of accounts is not in compliance with ISBE's guidelines because asset and revenue account numbers are in the same account range. The Office uses the "Deposits" account to record all sources of revenue. To distinguish grants and other revenues for the general fund. A detailed review of the general ledger is necessary because all sources are combined into the "Deposits" account. The Office's internally generated financial statements are difficult to read and do not support preparation of GAAP financial statements.

Response: After June 30, 2003, the Office will update its chart of accounts to comply with ISBE's guidelines, specifically in the asset and revenue areas.

5. Implement policy and procedures that require maintenance of a complete fixed asset sub-ledger.

Findings: ROEs are required to maintain an inventory of equipment acquired with funds received directly from the State. The Office's current fixed asset list does not include cost, date of purchase/disposition and location of fixed assets.

Response: The Office states that by June 30, 2003 it will fully implement a policy establishing a dollar cut-off for capitalizations of fixed assets and maintain a list of fixed assets that includes cost, date of purchase/disposition and location of fixed assets. The Office reports the project is more than 90% complete as of May 31, 2003.

6. Develop internal control policies and procedures to stamp invoices "paid".

Findings: The Office does not stamp paid invoices "paid" to prevent double payment.

Response: The Office states this practice was started immediately.